STATE OF LOUISIANA
LEGISLATIVE AUDITOR

2000 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

September 2001

Legislative Actuary

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Legislative Auditor

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2000 ACTUARIAL REPORT

ON

LOUISIANA PUBLIC

RETIREMENT SYSTEMS

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September 7, 2001

The Honorable M. J. "Mike" Foster
Governor of the State of Louisiana

The Honorable Charlie DeWitt, Speaker
Louisiana House of Representatives

The Honorable John J. Hainkel, Jr., President
Louisiana State Senate

Re: 2000 Annual Actuarial Report on Louisiana Public Retirement Systems

Gentlemen:

The Office of the Legislative Auditor is pleased to submit the 2000 Annual Actuarial Report on Louisiana Public Retirement Systems in accordance with Louisiana statutes R.S. 24:513C(1) and R.S. 11:271C(2). This report summarizes the financial status of the thirteen states and statewide retirement systems as of June 30, 2000. The report includes the following sections:

- **Executive Summary**
- **Employer Funding for Pension Benefits**
- **Benefit Formulas and Employee Contributions**
- **Actuarial Concerns – Funding Issues**

Please direct any questions concerning this report to:

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Respectfully submitted,

John E. Sondergaard, EA, MAAA, FCA
Legislative Actuary

JES:pm

Enclosure

xc: Dr. Daniel G. Kyle
Legislative Auditor

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

OFFICE OF LEGISLATIVE AUDITOR
ACTUARIAL DIVISION

2000 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

Louisiana Statutes

Pursuant to *Louisiana Statutes*, the Legislative Auditor must submit periodic reports to the governor and the legislature detailing the financial and actuarial history of the Louisiana Public Retirement Systems. The reports shall also include comments on any findings that may materially affect the actuarial soundness of the retirement systems.

2000 Report

The 2000 Actuarial Report on Louisiana Public Retirement Systems was prepared by the legislative actuary for the legislature, the governor, and other interested parties involved in the retirement systems' decision making process. This comprehensive actuarial report summarizes the financial status of the thirteen state and statewide retirement systems for fiscal years ending in 2000. It also outlines matters for legislative review that would enhance the stability and funding of the public retirement systems. The report includes data for the four state retirement systems and nine statewide retirement systems.

State Systems

For the four state retirement systems, benefits are guaranteed under the state constitution.

LASERS - Louisiana State Employees' Retirement System
TRSL - Teachers' Retirement System of Louisiana
STPOL - State Police Pension and Retirement System
LSERS - Louisiana School Employees' Retirement System

Statewide Systems

For the nine statewide retirement systems, benefits are not guaranteed under the state constitution.

ASSR - Louisiana Assessors' Retirement Fund
CCRS - Clerks of Court Retirement and Relief Fund
DARS - District Attorneys' Retirement System
FRS - Firefighters' Retirement System
MERS - Municipal Employees' Retirement System - Plans A&B
MPERS - Municipal Police Employees' Retirement System
PERS - Parochial Employees' Retirement System - Plans A&B
RVRS - Registrars of Voters Employees' Retirement System
SPRF - Sheriffs' Pension and Relief Fund

Overall Funding for Pension Benefits

Actuarial Funding

The accumulation of assets required to fund any retirement program is contingent upon the actuarial cost method used by each system, the actuarial assumptions employed in the actuarial calculations, and the asset valuation method adopted in the valuation process. Of primary importance is the selection of interest rate assumptions, which includes an inflation component. Interest rates used in the 2000 valuation of the thirteen state and statewide plans range from 7.0% to 8.25%. Overall funding for the thirteen retirement systems has improved considerably over the ten fiscal years 1991 through 2000. Much of the improvement can be attributed to favorable investment performance and actuarial funding mandated under the constitution.

Contributions

Pension benefit liabilities for all thirteen state and statewide retirement systems are funded through contributions from employers, members, various taxes, revenue sharing funds, and through investment earnings on plan assets.

Employer contribution rates are actuarially determined each year through an actuarial valuation. Each member's contribution rate is fixed by statute and may vary for different group classifications within a retirement system. For FRS, MPERS, and SPRF a portion of the employer contribution rate is set by statute. Any excess required above the statutory limit is paid from the Insurance Premium

Tax Fund (IPTF). To date, the IPTF funds allocated to these three systems have been sufficient to meet the combined excess employer contribution. Any excess IPTF allocations revert back to the state general fund.

Investment Income

Investment earnings include all income earned under the trust such as dividends, interest and capital gains or losses, and are essential to meet the long range projections under the actuarial funding method and assumptions.

Employer Funding for Pension Benefits - State Retirement Systems

General

The state of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations, either directly or as transfer payments to local school districts. The annual employer contribution includes the normal cost, amortization payment on unfunded accrued liability (UAL), and a state appropriation for the LSU Unfunded Plan under LASERS and TRSL. The UAL is that portion of the actuarial accrued liability not funded by the actuarial value of the system assets on a valuation date. If assets exceed the actuarial accrued liability then the system is fully funded with a positive credit balance. The normal cost is that portion equal to the year's expected additional benefit accrual.

Guaranteed Payment

Our state constitution guarantees an annual employer payment for the four state systems sufficient to pay the normal cost and amortize the initial unfunded accrued liability (established as of June 30, 1988) by the year 2029; 2009 for State Police. If the legislature fails to provide this payment, the state treasurer must pay the required amount from the state general fund upon a warrant issued by the administrative authority of the retirement system affected by the shortfall. The constitution requires that the systems' liabilities must be ***funded on an actuarially sound basis***.

General Fund Payments

The state's portion of the employer contribution requirement for three of the state retirement systems - LASERS, TRSL, and STPOL - is directly funded from general fund appropriations. For FY 2002, the total estimated amount due from the general fund is $468.7 million for these three systems.

LASERS

About 69% of the total required employer contribution is paid directly from general fund appropriations. The remaining 31% is paid from self-generated funds and from the federal government for federally funded programs.

Projected Employer Contributions (millions)		
Source	**FY 2001**	**FY 2002**
From General Fund	$168.8*	$173.8*
Other Sources	$75.8	$78.1
Total Required	$244.6	$251.8
Percent of Payroll	13.0%	13.0%

* An additional state appropriation of $4.7 million for FY 2001 and $4.9 million for FY 2002 is also required to fund the LSU Unfunded Plan.

TRSL

About 69% of the total required employer contribution is paid directly from general fund appropriations. The remaining 31% is paid from local school districts, self-generated funds, and from the federal government for federally funded programs.

Projected Employer Contributions (millions)		
Source	**FY 2001**	**FY 2002**
From General Fund	$278.3*	$264.3*
Other Sources	$125.0	$118.7
Total Required	$403.4	$383.0
Percent of Payroll	14.2%	13.1%

* An additional state appropriation of $5.1 million for FY 2001 and $5.3 million for FY 2002 is also required to fund the LSU Unfunded Plan.

TRSL - ORP

In 1990, an optional retirement plan (ORP) was established for academic and unclassified employees of public institutions of higher education. This is a defined contribution plan that is administered by TRSL. The ORP participants are not members of TRSL and their benefits are not guaranteed by the state. Each employer contributes to TRSL the same amount it would have contributed if the ORP participant had been a member. The employer normal cost portion is credited to the participants account (ORP normal cost) while the remainder is retained by TRSL as a payment on the UAL. For fiscal year 2000 the total ORP normal cost payment credited towards participants' accounts was $48.3 million while the ORP employer payment retained by TRSL to fund the UAL was $29.3 million. ORP is directly funded by the state from general fund appropriations only on the portion of salary not paid by fees or other self-generated funds received by the institutions of higher learning.

STPOL

The state contributes 100% of the employer contribution from general fund appropriations.

Projected Employer Contributions (millions)		
Source	**FY 2001**	**FY 2002**
From General Fund	$19.2	$20.4
Other Sources	$-	$-
Total Required	$19.2	$20.4
Percent of Payroll	55.8%	56.4%

LSERS

The employer contribution is paid from local school district funds. This system is fully funded and therefore the only annual employer cost is the normal cost requirement. LSERS actuarial value of assets exceeds the actuarial accrued liability balance by $264.4 million as of June 30, 2000.

The actuarially determined employer contribution for fiscal year 2001 is $3.9 million. However, by statute the required employer contribution is $14.6 million (6.0% of projected payroll) which will generate a surplus contribution of $10.7 million to an overfunded system. The statutorily required contribution for FY 2002 is projected to be $15.0 million compared to the actuarially required amount of $3.7 million, a surplus of $11.4 million.

Projected Employer Contributions (millions)		
Source	**FY 2001**	**FY 2002**
Actuarially Required	$3.9	$3.7
Percent of Payroll	1.6%	1.5%
Minimum Required	$14.6	$15.0
Percent of Payroll	6.0%	6.0%
Surplus	$10.7	$11.4

Act 1331 of the 1999 Regular Session established an **Employer Credit Account (ECA)** which consists of accumulated excess employer contributions over the actuarially required employer amounts. The account has a balance of $58.7 million as of June 30, 2000 available to offset future required employer contributions.

Texaco Settlement Fund

The Texaco Settlement Fund evolved from a litigation settlement with Texaco. Under the terms of settlement, Texaco agreed to pay the proceeds to the state over a three-year period, commencing on February 28, 1994.

Based on a recommendation adopted by the Bond Commission, the settlement was paid to the three state retirement systems - LASERS, TRSL and STPOL - to assist in funding their initial unfunded accrued liabilities (IUAL). The allocated funds are treated as a separate account under each system's trust and credited with the actuarial rate of return for the year. When the account accumulates to the outstanding balance of the IUAL it will liquidate the liability.

Based on valuation interest rate assumptions, we project that the accumulated value of Texaco

Settlement Funds will liquidate the IUAL by the year 2027 for LASERS and TRSL and by the year 2008 for STPOL. An additional allocation of $19.4 million was granted to the STPOL fund, under ACT 471 of the 1997 Regular Session, to accelerate payoff of the UAL. We project that this supplement will complete the IUAL funding for this system three years sooner, by the year 2005.

Accumulating the Texaco funds will save the state substantial UAL payments that would otherwise be required until the year 2029.

TEXACO FUND BALANCES
(as of 6/30/2000)
(millions)

System	Accumulated Proceeds	Accumulated Interest	Balance
LASERS	$64.3	$58.8	$123.2
TRSL	$135.5	$154.8	$290.3
STPOL	$24.7	$12.8	$37.5
Combined	**$224.6**	**$226.4**	**$451.0**

UAL Balance

As of June 30, 2000, the total net UAL balance (reduced by Texaco Settlement Funds) for the three unfunded state systems - LASERS, TRSL, and STPOL - is $5.4 billion:

UAL BALANCES
(as of 6/30/2000)
(millions)

System	Valuation UAL (Funding)	Texaco Funds	Net UAL (Reduced by Texaco Funds)
LASERS	$2,209.5	$123.2	$2,086.3
TRSL	$3,518.0	$290.3	$3,227.7
STPOL	$131.2	$37.5	$93.7
Combined	**$5,858.8**	**$451.0**	**$5,407.8**

The total general fund expenditure estimated to fund the $5.9 billion valuation UAL for fiscal year 2001 is $265.1 million (states portion of total $372.9 million UAL amortization payment). This represents about 55.7% of the $476.1 million in total general fund expenditures required to actuarially fund the three unfunded state systems (state's portion of the $676.9 million total contribution required for FY 2001).

Employer Funding for Pension Benefits - Statewide Retirement Systems

General

Employer contributions required to fund the actuarial liabilities for the nine statewide retirement systems - defined benefit plans - come from the sources listed in items 1 through 5 below. For example, the employer contribution for statewide system ASSR comes from local appropriations, ad valorem taxes, and general revenue sharing funds as listed under items 1 through 3 below.

Sources of Employer Contribution

System	Local 1	Ad Valorem 2	Revenue Sharing 3	IPTF 4	State General Fund 5
ASSR	x	x	x		
CCRS	x	x	x		
DARS		x	x		x
FRS	x			x	
MERS	x	x	x		
MPERS	x			x	
PERS	x	x	x		
RVRS	x	x	x		
SPRF	x	x	x	x	

1. Local appropriations from municipalities or parishes as a percent of member payroll
2. Percent of ad valorem taxes collectible by the rolls of each parish according to statute
3. General revenue sharing funds
4. Insurance premium tax funds
5. State general fund appropriations

Projected Employer Contributions

The projected employer contributions for FY 2001 for the nine statewide systems are shown in the following section of the report titled **Employer Funding for Pension Benefits - Contribution Sources** (page 17).

UAL Balances

Under the state constitution, funding requirements for the nine statewide systems are actuarially determined. As for state systems, the annual employer contribution consists of a normal cost payment and (for those systems that generate a UAL under the actuarial funding method) an amortization payment to fund the UAL. **As of their 2000 fiscal year end, six of the statewide unfunded systems had a combined UAL balance of $516.1 million:**

System	UAL Balance (millions)
ASSR	$34.3
CCRS	$77.9
FRS	$132.9
MERS	$72.5
PERS Plan A*	$110.3
SPRF	$88.2

* As of December 31, 2000 Valuation

The statewide system MPERS is fully funded as of June 30, 2000 since the actuarial value of assets exceeds the actuarial accrued liability balance by $110.3 million. This surplus balance is net of the $17.4 million of additional liability added last year for new cost-of-living benefits granted to retirees.

Aggregate Funding

Some of the statewide systems such as DARS, PERS (Plan B), and RVRS employ an actuarial funding method that makes no reference at all to an actuarial accrued liability for prior service (Aggregate Funding Method). Therefore, there is no UAL generated under this actuarial funding technique. For these systems, all employer costs are determined as future normal cost payments.

Benefit Formulas and Employee Contributions

Retirement Eligibility

All thirteen state and statewide systems provide some combination of years of service and age in order to qualify for full retirement benefits. Some of the systems provide for early retirement benefit based on actuarial reduction for the earlier benefit payout. Vested benefits, pre-retirement survivor death benefits, disability benefits, DROP benefits, and cost-of-living adjustments are also included in the overall benefit package of each system and are payable upon meeting established eligibility and statutory requirements.

Benefit Formulas

Louisiana's state and statewide systems provide retirement benefits that are based on a member's years of service, age at retirement, and final average compensation. They are commonly referred to as "defined benefit" plans.

Formula benefits accrue at a specific rate for each year of service. Final average compensation is based on the actual compensation received for the three (3) highest successive years before retirement. Benefits based on final average compensation are designed to provide a reasonable replacement of pre-retirement income for long service employees. Shorter service employees receive proportionally lower replacement benefits.

Social Security

Social Security coverage is not provided to members during their years of participation in the state and statewide retirement systems with the exception of Plan B of TRSL and two statewide plans – MERS (B), PERS (B). The current accrual rates for the non-covered Social Security Systems range from 2.0% to 3.5% for each year of service.

Employee Contributions

All of the state and statewide systems require employee contributions as part of the overall funding requirement to pay for the proposed retirement benefits. The contribution rates are set by statute. They currently range from 2.0% to 11.5% of pay.

Replacement Ratios

The replacement ratios included in the **Benefits** section (page 42) show the amount of normal retirement benefit as a percent of pre-retirement salary for the thirteen retirement systems. They are based on years of service accumulated at retirement for a **new member**. Because of the different nature of the plans covering law enforcement officers and firefighters the replacement ratios are shown at age 55 versus age 65 for other employee groups

Based on current benefit provisions and salary increase assumptions for each retirement system, our calculations show that replacement ratios vary for the non-Social Security plans from: (a) 60% to 81% for law enforcement officers and firefighters at age 55 with 25 years of service, and (b) 71% to 96% for other employee groups at age 65 with 30 years of service.

Actuarial Concerns / Funding Issues

Pension Problems

In this section of the report we address some of the pension problems dealing with benefit issues and funding alternatives. Addressing pension problems in advance makes good business sense for the state by giving legislators ample time to take corrective steps to assure that our retirement systems are actuarially sound. We have focused on the two largest systems, LASERS and TRSL. These two systems have the largest unfunded liabilities and represent about 72% of a total membership of 328,988 active and inactive members for the combined thirteen state and statewide retirement systems. Actuarial concerns are highlighted in order to give legislators a "quick reading" of pension issues that may require further attention.

EMPLOYER FUNDING FOR PENSION BENEFITS

1. Funding Methods

Funding Method

Although the level of employee contribution rate is fixed by statute, the annual employer contribution rate needed to support the benefits is determined by the retirement system's actuary. This determination is accomplished by performing an annual actuarial valuation that calculates the total projected actuarial liability of the expected benefit payouts of each retirement system. The actuarial cost method allocates the computed actuarial liability between future normal cost payments and future amortization payments on unfunded accrued liability (if any). All actuarial funding methods target to have contribution plus trust earnings accumulate to meet ultimate expected benefits and plan expenses.

State Systems:

System	Funding Method	Creates UAL
LASERS	Projected Unit Credit	yes
TRSL	Projected Unit Credit	yes
STPOL	Entry Age Normal	yes
LSERS	Entry Age Normal	yes

Statewide Systems:

System	Funding Method	Creates UAL
ASSR	Frozen Attained Age Normal	IUAL only
CCRS	Frozen Attained Age Normal	IUAL only
DARS	Aggregate	no
FRS	Entry Age Normal	yes
MERSA	Frozen Attained Age Normal	IUAL only
MERSB	Frozen Attained Age Normal	IUAL only
MPERS	Entry Age Normal	yes
PERSA	Frozen Attained Age Normal	IUAL only
PERSB	Aggregate	no
RVRS	Aggregate	no
SPRF	Frozen Attained Age Normal	IUAL only

Normal Cost

The total **Normal Cost** is that portion of the projected actuarial liability for benefits and expenses allocated to a valuation year by the applicable actuarial cost method. The portion of the total normal cost not funded by member contributions becomes the employer normal cost portion for the valuation year.

Accrued Liability

The portions of the total computed actuarial liabilities not funded as future normal cost payments is the actuarial **Accrued Liability.** Under certain actuarial cost methods it is the liability for benefit service already completed by the current valuation population consisting of former active members and members that are currently active.

UAL

The **Unfunded Accrued Liability (UAL)** is that portion of the actuarial accrued liability that is not funded by the system's **Valuation Assets** on the valuation date. Normally, as of each valuation date, it consists of the unamortized value of the initial unfunded accrued liability and the unamortized values of supplemental accrued liabilities that may be generated each year. These supplemental liabilities originate through actuarial gains and losses, changes in actuarial assumptions or funding methods along with any changes in benefit structures. Under some actuarial cost methods, supplemental accrued liabilities may be funded as future normal cost payments.

2. Employer Contribution Rates

Contribution Rates

The employer contribution rates are shown as a percent of payroll. In addition, various retirement systems also require supplemental appropriations from the state, ad valorem taxes, revenue sharing funds, and payments from the Insurance Premium Tax Fund (IPTF). The following contribution rates were adopted by PRSAC (Public Retirement Systems' Actuarial Committee).

State Systems

Contribution Rates

Fiscal Year 2001			
System	**Actuarially Required**	**Projected Rate**	**LSU Unfunded**
LASERS	12.9%	13.0%	$4,694,350
TRSL	13.1%	14.2%	$5,066,814
STPOL	56.8%	55.8%	n/a
LSERS	1.6%	6.0%	n/a

Fiscal Year 2002			
System	**Actuarially Required***	**Projected Rate**	**LSU Unfunded**
LASERS	n/a	13.0%	$4,905,596
TRSL	n/a	13.1%	$5,294,821
STPOL	n/a	56.4%	n/a
LSERS	n/a	6.0%	n/a
* The Actuarially Required Rates for Fiscal Year 2002 will be available after the June 30, 2001 Actuarial Valuations are finished.			

Ad Valorem Taxes

Ad valorem tax rates shown are a percentage of the aggregate taxes shown to be collectible by the tax rolls of each parish. For some systems, different percentages apply to Orleans Parish. Parochial Employees' Retirement System excludes Orleans and East Baton Rouge Parishes from the tax rolls.

Rates for Local Appropriations
(Percent of Payroll)

Statewide Systems

Fiscal Year 2001		
System	**Actuarially Required**	**Projected Rate**
ASSR	7.58%	4.25%
CCRS	7.03%	7.25%
DARS	0.00%	0.00%
FRS	9.00%	9.00%
MERSA	7.03%	6.25%
MERSB	3.68%	3.25%
MPERS	5.87%	9.00%
PERSA	5.68%	5.50%
PERSB	2.47%	2.75%
RVRS	0.00%	0.00%
SPRF	6.00%	6.00%

Rate for Total Public Funds
(Percent of Payroll)*

Fiscal Year 2002				
System	**IPTF FY 2001**	**Ad Valorem FY 2001**	**Revenue Sharing FY 2001**	**Local Projected Rate**
ASSR	n/a	0.250%	Max	7.75%
CCRS	n/a	0.250%	Max	7.00%
DARS	n/a	0.0856%	Max	0.00%
FRS(1)	$19,726,553	n/a	n/a	9.00%
MERSA	n/a	0.1875%	Max	7.00%
MERSB	n/a	0.0625%	Max	3.75%
MPERS(1)	$0	n/a	n/a	9.00%
PERSA(2)	n/a	0.2217%	Max	5.75%
PERSB(2)	n/a	0.0283%	Max	2.50%
RVRS(3)	n/a	0.0625%	Max	0.00%
SPRF(1)	$3,282,929	0.500%	Max	6.00%
(1) For FY 2000 IPTF paid $11,597,251 for Firefighters, $1,996,297 for Sheriffs, and $0 for MPERS.				
(2) Parochial & Assessors' from 12/31 & 9/30 2000 reports for FY 00/01 Actuarial/Projected and FY 01/02 Projected.				
(3) The Ad Valorem Tax for Registrars of Voters includes the Defined Contribution allocation.				
* Applies only to Local Projected Rate.				

3. Contribution Sources

State Systems

The State of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations or as transfer payments to local school districts.

Projected Employer Contribution for FY 2001
($millions)

LASERS

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund	$81.9	$86.9	$168.8	$4.7
Other Sources	$36.8	$39.0	$75.8	$0.0
Total	$118.6	$126.0	$244.6	$4.7
General Fund as % of Total	69.0%	69.0%	69.0%	100.0%

TRLS

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund	$125.3	$153.0	$278.3	$5.1
Other Sources	$56.3	$68.7	$125.0	$0.0
Total	$181.6	$221.7	$403.4	$5.1
General Fund as % of Total	69.0%	69.0%	69.0%	100.0%

STPOL

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund	$3.8	$15.4	$19.2	$0.0
Other Sources	$0.0	$0.0	$0.0	$0.0
Total	$3.8	$15.4	$19.2	$0.0
General Fund as % of Total	100.0%	100.0%	100%	0.0%

Combined State Unfunded Systems

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund	$211.0	$255.3	$466.3	$9.8
Other Sources	$93.1	$107.8	$200.9	$0.0
Total	$304.0	$363.1	$667.2	$9.8
General Fund as % of Total	69.4%	70.3%	69.9%	100.0%

LSERS

Source	Normal Cost	UAL Payment	Total	Additional Under Statute
Local School Districts	$17.1	$(13.2)	$3.9	$10.7

Statewide Systems

The following tables list the funding sources for the eleven statewide retirement systems. Total public funds include local appropriations, ad valorem taxes, general revenue sharing funds, and insurance premium tax funds. The limit on local appropriations is set by statute at 9% of payroll for Firefighters and Municipal Police Systems and 6% of payroll for the Sheriffs' System. Employee contributions are not included in the amounts shown below.

Projected Employer Contributions FY 2001
($millions)

ASSR

Source	$ Amount	% Payroll
Local Appropriations	$1.12	4.25%
Ad Valorem Taxes	$3.70	14.08%
Revenue Sharing	$0.35	1.35%
IPTF	$0.00	0.00%
Total Public Funds	$5.18	19.67%

CCRS

Source	$ Amount	% Payroll
Local Appropriations	$4.34	7.25%
Ad Valorem Taxes	$3.70	6.18%
Revenue Sharing	$0.32	0.54%
IPTF	$0.00	0.00%
Total Public Funds	$8.37	13.97%

DARS

Source	$ Amount	% Payroll
Local Appropriations	$0.00	0.00%
Ad Valorem Taxes	$1.31	3.87%
Revenue Sharing	$0.15	0.45%
IPTF	$0.00	0.00%
Total Public Funds	$1.46	4.32%

FRS

Source	$ Amount	% Payroll
Local Appropriations	$9.53	9.00%
Ad Valorem Taxes	$0.00	0.00%
Revenue Sharing	$0.00	0.00%
IPTF	$19.73	18.64%
Total Public Funds	$29.25	27.64%

MERSA

Source	$ Amount	% Payroll
Local Appropriations	$8.03	6.25%
Ad Valorem Taxes	$2.47	1.92%
Revenue Sharing	$0.12	0.09%
IPTF	$0.00	0.00%
Total Public Funds	$10.63	8.27%

Projected Employer Contributions FY 2001
($millions)

MERSB

Source	$ Amount	% Payroll
Local Appropriations	$1.40	3.25%
Ad Valorem Taxes	$0.82	1.91%
Revenue Sharing	$0.04	0.09%
IPTF	$0.00	0.00%
Total Public Funds	$2.27	5.26%

MPERS

Source	$ Amount	% Payroll
Local Appropriations	$14.93	9.00%
Ad Valorem Taxes	$0.00	0.00%
Revenue Sharing	$0.00	0.00%
IPTF	$0.00	0.00%
Total Public Funds	$14.93	9.00%

PERSA

Source	$ Amount	% Payroll
Local Appropriations	$19.28	5.50%
Ad Valorem Taxes	$2.91	0.83%
Revenue Sharing	$0.14	0.04%
IPTF	$0.00	0.00%
Total Public Funds	$22.33	6.37%

PERSB

Source	$ Amount	% Payroll
Local Appropriations	$1.27	2.75%
Ad Valorem Taxes	$0.37	0.81%
Revenue Sharing	$0.02	0.04%
IPTF	$0.00	0.00%
Total Public Funds	$1.66	3.60%

RVRS

Source	$ Amount	% Payroll
Local Appropriations	$0.00	0.00%
Ad Valorem Taxes	$0.89	15.08%
Revenue Sharing	$0.10	1.66%
IPTF	$0.00	0.00%
Total Public Funds	$0.99	16.74%

SPRF

Source	$ Amount	% Payroll
Local Appropriations	$19.96	6.00%
Ad Valorem Taxes	$7.41	2.23%
Revenue Sharing	$0.43	0.13%
IPTF	$3.28	0.99%
Total Public Funds	$31.08	9.34%

4. Contribution History – State Retirement Systems

Employer Contribution History
($millions)

LASERS

Component	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Normal Cost	$122.2	$118.6	$107.5	$97.4	$91.7
UAL Payment	$129.6	$126.0	$113.5	$111.4	$120.8
Total	$251.8	$244.6	$221.0	$208.8	$212.5
Percent of Payroll	13.0%	13.0%	12.3%	12.4%	13.0%
Payroll $	1,937.8	1,879.2	1,793.2	1,680.5	1,633.5
LSU Unfunded Pmt	$4.9	$4.7	$4.5	$4.3	$4.1

TRSL

Component	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Normal Cost	$185.2	$181.6	$183.8	$180.4	$169.4
UAL Payment	$197.9	$221.7	$245.2	$267.9	$249.3
Total	$383.0	$403.4	$429.1	$448.3	$418.7
Percent of Payroll	13.1%	14.2%	15.2%	16.5%	16.4%
Payroll $	2,733.8	2,648.1	2,654.2	2,566.7	2,414.1
LSU Unfunded Pmt	$5.3	$5.1	$4.8	$4.6	$4.4

STPOL

Component	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Normal Cost	$4.1	$3.8	$3.8	$3.3	$3.0
UAL Payment	$16.4	$15.4	$19.2	$16.5	$17.1
Total	$20.4	$19.2	$23.0	$19.8	$20.1
Percent of Payroll	56.4%	55.8%	63.5%	66.0%	71.6%
Payroll $	$36.2	$34.5	$36.2	$30.0	$28.1

LSERS

Component	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Normal Cost	$18.0	$17.1	$16.0	$15.3	$14.8
UAL Payment	$(14.3)	$(13.2)	$(10.7)	$(5.6)	$(5.1)
Total	$3.7	$3.9	$5.3	$9.7	$9.7
Percent of Payroll	1.5%	1.6%	2.2%	4.3%	4.4%
Payroll $	$250.7	$243.4	$238.2	$227.8	$221.3
Minimum Required	$15.0	$14.6	$14.3	$13.7	$13.3
Percent of Payroll	6.0%	6.0%	6.0%	6.0%	6.0%

Minimum Required Contribution

The employee rate for LSERS is 6.0% of pay. The constitution prohibits the employer rate from being lower than the employee rate once the system becomes fully funded. Hence, the employer is required to fund at 6.0% of payroll even though the plan is overfunded.

5. Funding Measure Under GASB

Funding Progress

Under Governmental Accounting Standards Board (GASB), public retirement systems show the development of funding progress by including the ratio of net unfunded accrued liabilities (UAL reduced by Texaco and ECA) to the valuation payroll as of the valuation date. Such ratios over time indicate whether or not the system is becoming financially stronger. Usually, the smaller the ratio, the stronger the system is financially.

Inflation Adjusted

The dollar value of (Unfunded Accrued Liability) UAL that is developed for valuation can be misleading when analyzing the funded progress of a retirement system. That is because the impact of inflation may cause the values of employee pay, retirement benefits, and the UAL to increase in dollar amount, even though the relative value of some or all of these items may be decreasing. Therefore, Net UAL divided by valuation payroll provides a funding index adjusted for inflation which shows the true progress made in accumulating assets to pay for benefits.

No values are developed for those statewide systems that utilize the Aggregate Funding Method. As mentioned earlier, this funding method does not generate unfunded actuarial accrued liabilities.

Net UAL as a Percent of Valuation Payroll

State Systems

System	FY 1998	FY 1999	FY 2000
LASERS	114.0%	115.6%	114.6%
TRSL	165.5%	148.7%	125.9%
STPOL	419.1%	349.3%	278.8%
LSERS	(89.6)%	(130.3)%	(134.0)%

Net UAL as a Percent of Valuation Payroll

Statewide Systems

System	FY 1998	FY 1999	FY 2000
ASSR *	152.3%	141.7%	133.8%
CCRS	149.0%	141.4%	133.5%
DARS	n/a	n/a	n/a
FRS	69.4%	81.0%	132.3%
MERSA	53.2%	52.6%	52.1%
MERSB	21.0%	18.7%	18.2%
MPERS	-51.8%	-76.9%	-67.4%
PERSA **	41.2%	36.4%	32.7%
PERSB **	n/a	n/a	n/a
RVRS	n/a	n/a	n/a
SPRF	32.8%	29.5%	28.3%

* The values for Assessors' System are based on the actuarial valuation as of September 30, 2000.

** The values for Parochial System are based on the most recent actuarial valuation as of December 31, 2000.

6. Funded Ratios as of June 30, 2000

Funded Ratios

Measuring assets against liabilities can vary depending upon purpose. To determine the system's funding progress, all actuarial assets available for plan benefits (includes Texaco, Experience Accounts, Employer Credit Account) are measured against the actuarial liability of projected accrued benefits (PBO).

The PBO is a measure of accrued benefits and is independent of any actuarial cost method. However, the values produced follow the actuarial accrued liability calculated under the projected unit credit cost method. The ratio of actuarial value of assets to PBO produces the funded ratio, whereas the PBO by itself is not a measure of funded status.

State Systems

Funding Progress
($millions)

System	Actuarial Value of Assets	PBO	Funded Ratio
LASERS	$6,678.5	$8,257.3	80.9%
TRSL	$12,959.7	$14,596.4	88.8%
STPOL	$244.0	$338.8	72.0%
LSERS	$1,614.9	$1,208.0	133.7%
State Total	**$21,497.2**	**$24,400.6**	**88.1%**

Funding Progress
($millions)

Statewide Systems

System	Actuarial Value of Assets	PBO	Funded Ratio
ASSR *	$108.1	$146.8	73.65%
CCRS	191.6	244.6	78.34%
DARS	148.0	112.2	131.93%
FRS	646.6	751.8	86.01%
MERSA	447.6	484.5	92.37%
MERSB	96.6	94.8	101.89%
MPERS	1,277.5	1,167.2	109.45%
PERSA **	1,169.6	1,146.7	102.00%
PERSB **	79.2	60.8	130.27%
RVRS	43.2	41.2	104.78%
SPRF	784.3	835.9	93.82%
Statewide Total	**$4,992.3**	**$5,086.6**	**98.1%**

* The values for Assessors' System are based on the actuarial valuation as of September 30, 2000.
** The values for Parochial System are based on the most recent actuarial valuation as of December 31, 2000.

Funding Progress
($millions)

All Systems Combined

System	Actuarial Value of Assets	PBO	Funded Ratio
Combined Total	**$26,489.5**	**$29,487.2**	**89.8%**

Funding Eligibility for COLAs

To determine COLAs, for an "Actual Funded Ratio" the state systems (excludes Texaco, Experience Accounts, and Employer Credit Accounts) and Municipal Police compare Valuation Assets to the accrued liability under the funding method, and all other statewide systems compare Actuarial Value of Assets to PBO. The ratio is then compared to the formula Target Ratio. Under current statues, if the Target Ratio is less than the Funded Ratio, the retirement system can grant COLA benefits.

Funding Eligibility for COLAs
($millions)

State Systems

System	Target Ratio	Actual Funded Ratio
LASERS	*	73.2%
TRSL	*	75.9%
STPOL	49.9%	61.1%
LSERS	100.0%	120.5%

* Act 402 of the 1999 Regular Session omitted the Target Ratio Test for this system.

Funding Eligibility for COLAs
($millions)

Statewide Systems

System	Target Ratio	Actual Funded Ratio
ASSR *	69.9%	73.6%
CCRS	60.3%	78.3%
DARS	88.6%	131.9%
FRS	72.1%	86.0%
MERSA	74.1%	92.4%
MERSB	69.9%	101.9%
MPERS	100.0%	109.4%
PERSA **	67.9%	102.0%
PERSB **	97.5%	130.3%
RVRS	91.4%	104.8%
SPRF	73.8%	93.8%

* The values for Assessors' System are based on the actuarial valuation as of September 30, 2000.
** The values for Parochial System are based on the most recent actuarial valuation as of December 31, 2000.

7. UAL Balances

Valuation Balances

Unfunded Accrued Liability (UAL) values are dependent on the particular actuarial funding method selected for the system. Certain funding methods do not have a UAL base to amortize. These methods spread all future costs over the participants working lifetime. UAL bases are amortized over a number of years specified in statutes. The valuation UAL balance for the state systems excludes assets allocated to the Texaco Settlement Account, Experience Account, and Employer Credit Account, where applicable.

Valuation UAL Balance
($millions)

State Systems

System	FY 1998	FY 1999	FY 2000
LASERS	$1,981.0	$2,116.2	$2,209.5
TRSL	$4,329.9	$4,068.1	3,518.0
STPOL	$155.1	$157.6	131.2
LSERS	($202.3)	($250.8)	(264.4)
State Total	**$6,263.7**	**$6,091.1**	**$5,594.3**

Statewide Systems

System	FY 1998	FY 1999	FY 2000
ASSR	$34.0	$33.9	$34.3
CCRS	$77.4	$77.8	$77.9
DARS	$0.0	$0.0	$0.0
FRS	$55.0	$75.2	$132.9
MERSA	$62.0	$63.5	$64.9
MERSB	$8.0	$7.8	$7.6
MPERS	($68.2)	($110.4)	$(110.3)
PERSA	$126.9	$117.7	$110.3
PERSB	$0.0	$0.0	$0.0
RVRS	$0.0	$0.0	$0.0
SPRF	$85.1	$86.7	$88.2
StatewideTotal	**$380.2**	**$352.0**	**$405.8**

All Systems Combined

System	FY 1998	FY 1999	FY 2000
Combined Total:	**$6,643.9**	**$6,443.1**	**$6,000.1**

Financial UAL Balance

The financial UAL balance is equal to the valuation UAL balance adjusted for Texaco Settlement funds and Employer Credit Accounts. The balances shown below for the three unfunded systems are adjusted by the suspense accounts set up to hold the monies received from the Texaco Settlement. LSERS includes the Employer Credit Account balances for FY 2000.

Net UAL Balance
($millions)

State Systems

System	FY 1998	FY 1999	FY 2000
LASERS	$1,885.3	$2,007.9	$2,086.3
TRSL	$4,113.4	$3,821.3	$3,227.7
STPOL	$124.2	$123.3	$93.7
LSERS	($202.3)	($307.6)	($323.1)
Total	**$5,920.7**	**$5,645.0**	**$5,084.7**

8. Texaco Settlement

Texaco Settlement Fund

Under Act 4 of the 1994 R.S., the three state systems began receiving funds from the Texaco Settlement as state aid to accelerate the payoff of the unfunded accrued liability. These funds are held in a suspense account and are not used as an offset to the regular employee UAL amortization payments under Act 257 of the 1992 R.S. The settlement funds are credited with the respective actuarial rate of return earned by each system

Once the accumulated value of the account balance equals the outstanding balance of the initial unfunded accrued liability for each system, the account and initial liability will be liquidated.

Texaco Fund Summary
(millions)

Unfunded Systems Combined

Fiscal Year	Allocation	Interest	Balance
1993	$0.0	$0.0	$0.0
1994	$116.2	$0.0	$116.2
1995	$44.1	$8.1	$168.5
1996	$44.1	$26.0	$238.6
1997	$20.0	$31.7	$290.4
1998	$0.0	$52.7	$343.1
1999	$0.0	$46.2	$389.3
2000	$0.0	$61.7	$451.0
TOTAL	**$224.6**	**$226.4**	**$451.0**

Texaco Fund Summary
(millions)

LASERS

Fiscal Year	Allocation	Interest	Balance
1993	$0.0	$0.0	$0.0
1994	$36.0	$0.0	$36.0
1995	$13.8	$3.4	$53.2
1996	$13.8	$6.6	$73.6
1997	$0.7	$10.4	$84.7
1998	$0.0	$11.0	$95.7
1999	$0.0	$12.5	$108.3
2000	$0.0	$14.9	$123.2
TOTAL	**$64.3**	**$58.8**	**$123.2**

TRSL

Fiscal Year	Allocation	Interest	Balance
1993	$0.0	$0.0	$0.0
1994	$77.2	$0.0	$77.2
1995	$29.2	$4.4	$110.8
1996	$29.2	$18.9	$158.9
1997	$0.0	$20.4	$179.3
1998	$0.0	$37.2	$216.5
1999	$0.0	$30.3	$246.8
2000	$0.0	$43.5	$290.3
TOTAL	**$135.5**	**$154.8**	**$290.3**

STPOL

Fiscal Year	Allocation	Interest	Balance
1993	$0.0	$0.0	$0.0
1994	$3.1	$0.0	$3.1
1995	$1.2	$0.2	$4.5
1996	$1.2	$0.5	$6.1
1997	$19.4	$0.9	$26.4
1998	$0.0	$4.4	$30.8
1999	$0.0	$3.4	$34.2
2000	$0.0	$3.3	$37.5
TOTAL	**$24.7**	**$12.8**	**$37.5**

9. Experience Account Summary

Establishment

The 1992 Regular Session established an Experience Account (EA) for LASERS and TRSL to enable cost-of-living (COLA) benefits for current and future retirees. Each year the EA is credited or debited with 50% of the net investment experience gain or loss together with interest on the beginning account balance

Before the EA was enacted, the full investment gain or loss, amortized over a period of years was used to adjust the employer contribution amount for the upcoming fiscal year.

EA Operation

The EA balance is created by diverting trust assets from the funding process. Those assets are then returned when COLA benefits are approved. Although the EA balance may represent an amount of funds sufficient to cover the expected value of COLA benefits, it does not in itself provide the actual funding necessary to ultimately pay for COLA liabilities. Rather, funding for COLAs requires additional contributions from the state.

Experience Account History
($millions)

LASERS

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	$27.3	$0.0	$0.0	$27.3	$27.3
1993	($2.8)	$2.2	$0.0	$26.7	$26.7
1994	$8.5	$2.4	$0.0	$37.6	$37.6
1995	$20.6	$3.6	$0.0	$61.8	$61.8
1996	$73.8	$7.6	$58.4	$84.8	$143.2
1997	$116.2	$11.9	$0.0	$212.9	$271.4
1998	$104.6	$27.6	$90.0	$255.1	$403.5
1999	$119.6	$33.4	$42.9	$365.1	$556.5
2000	$150.0	$50.3	$57.9	$507.5	$756.9
TOTAL	**$617.9**	**$139.0**	**$249.3**	**$507.5**	**$756.9**

Experience Account History
($millions)

TRSL

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	$33.4	$0.0	$0.0	$33.4	$33.4
1993	$97.6	$4.2	$0.0	$135.2	$135.2
1994	$24.5	$12.4	$0.0	$172.1	$172.1
1995	($73.4)	$9.8	$129.4	($20.9)	$108.5
1996	$271.5	($3.6)	$0.0	$247.0	$376.5
1997	$157.1	$31.7	$0.0	$435.8	$565.2
1998	$473.3	$90.5	$219.4	$780.3	$1,129.1
1999	$253.2	$109.2	$83.8	$1,058.8	$1,491.5
2000	$458.2	$186.6	$112.3	$1,591.4	$2,136.3
TOTAL	**$1,695.4**	**$440.9**	**$544.9**	**$1,591.4**	**$2,136.3**

Combined Systems

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	$60.7	$0.0	$0.0	$60.7	$60.7
1993	$94.9	$6.4	$0.0	$161.9	$161.9
1994	$33.1	$14.8	$0.0	$209.8	$209.8
1995	($52.9)	$13.4	$129.4	$40.9	$170.3
1996	$345.3	$4.1	$58.4	$331.9	$519.7
1997	$273.3	$43.6	$0.0	$648.8	$836.6
1998	$577.8	$118.2	$309.4	$1,035.3	$1,532.6
1999	$372.8	$142.6	$126.8	$1,423.9	$2,048.0
2000	$608.2	$236.9	$170.2	$2,098.9	$2,893.1
TOTAL	**$2,313.2**	**$579.9**	**$794.2**	**$2,098.9**	**$2,893.1**

The combined balance in the Experience Account for LASERS and TRSL is $2.10 billion as of June 30, 2000.

10. Insurance Premium Tax Fund (IPTF) - Assessments

Statewide Systems

The Commission deposits 0.7% (0.007) of the Net Premiums with the state treasurer for the exclusive use of the three statewide retirement systems: MPERS, FRS, and SPRF. Net Premiums are the gross direct premiums received in the state, in the preceding year, from insurers doing business in Louisiana and subject to this Part, less returned premiums.

Funds are first applied to the remaining portion of the actuarially required contributions. Second, the assessment is used for funding of mergers. The aggregate of all mergers being funded in one year cannot exceed 25% of the total year's assessment.

Mergers are funded over a 30-year period, unless a shorter period is approved by PRSAC. A shorter period is limited to 5% of the total assessment in any one-year.

Available Funds
($millions)

Written Premium Basis	For Calendar Year	Net Premium	Assessment for Deposit	Merger Limit
1990	1991	$3,301.8	$23.1	$5.8
1991	1992	$3,399.3	$23.8	$5.9
1992	1993	$3,470.8	$24.3	$6.1
1993	1994	$3,452.4	$24.2	$6.0
1994	1995	$3,897.2	$27.3	$6.8
1995	1996	$4,235.4	$29.6	$7.4
1996	1997	$4,158.0	$29.1	$7.3
1997	1998	$4,298.5	$30.1	$7.5
1998	1999	$4,424.8	$31.0	$7.7
1999	2000	$4,376.8	$30.6	$7.7

After receipt of employee and employer contributions and all dedicated funds and taxes the IPTF allocation is applied to meet the required contribution. Unused IPTF funds are then returned to the state general fund.

Allocated IPTF Funds
($millions)

Calendar Year	Plan Year	Actual Deposit	Retirement Committee Allocation	Remainder to General Fund
1993	1994	$23.2	$8.1	$15.1
1994	1995	$24.0	$10.8	$13.2
1995	1996	$23.7	$13.5	$10.2
1996	1997	$28.0	$10.5	$17.6
1997	1998	$29.1	$12.7	$16.3
1998	1999	$30.1	$9.0	$21.1
1999	2000	$31.0	$13.6	$17.4
2000	2001	$30.6	$23.0	$7.6

11. Asset Balances as of June 30, 2000

Assets

Assets held in retirement trusts are built from contributions and earnings thereon. Market Value (fair value) of assets is required for GASB financial requirements including asset/liability and income/expense statements. **Actuarial Value of Assets** is applied for valuation purposes in all thirteen state and statewide systems to smooth market value gains and losses.

The state plans use the term **Valuation Assets** since the actuarial value is reduced for special accounts (Experience Account, Texaco Funds, LSU AG, Employer Credit Account). This value is used to determine annual employer funding requirement and COLA Target Funding tests.

Asset Values
($millions)

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	$6,593.3	$6,678.5	$6,047.8
TRSL	$12,688.0	$12,959.9	$11,078.4
STPOL	$245.8	$244.0	$206.5
LSERS	$1,586.2	$1,614.9	$1,556.3
State Total	**$21,113.3**	**$21,497.4**	**$18,889.0**
Percent of Market Value	**100.0%**	**101.8%**	**89.5%**

Asset Values
($millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR *	$109.6	$108.1	$108.1
CCRS	$196.9	$191.6	$191.6
DARS	$164.1	$148.0	$148.0
FRS	$645.6	$646.6	$646.6
MERSA	$469.5	$447.6	$447.6
MERSB	$100.6	$96.6	$96.6
MPERS	$1,261.3	$1,277.5	$1,277.5
PERSA **	$1,255.7	$1,169.6	$1,169.6
PERSB **	$82.8	$79.2	$79.2
RVRS	$42.6	$43.2	$43.2
SPRF	$796.5	$784.3	$784.3
Statewide Total	**$5,125.4**	**$4,992.3**	**$4,992.3**
Percent of Market Value	**100.0%**	**97.4%**	**97.4%**

* The values for Assessors' System are based on the most recent actuarial valuation as of September 30, 2000.
** The values for Parochial System are based on the most recent actuarial valuation as of December 31, 2000.

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems:	**$26,238.7**	**$26,489.7**	**$23,881.3**
Percent of Market Value:	**100.0%**	**101.0%**	**91.0%**

12. Investment Returns

Annual Rate of Return

State Systems:

System	FY 2000 Market Value	FY 2000 Actuarial Value of Assets	FY 1999 Market Value	FY 1999 Actuarial Value of Assets	Expected Long Term
LASERS	11.14%	13.78%	8.44%	13.10%	8.25%
TRSL	13.58%	17.63%	9.00%	13.99%	8.25%
STPOL	4.59%	9.56%	5.93%	11.07%	7.50%
LSERS	7.96%	10.72%	9.05%	16.55%	7.50%

Statewide Systems:

System	FY 2000 Market Value	FY 2000 Actuarial Value of Assets	FY 1999 Market Value	FY 1999 Actuarial Value of Assets	Expected Long Term
ASSR	7.70%	8.20%	5.10%	7.80%	8.00%
CCRS	4.20%	11.00%	10.50%	14.90%	8.00%
DARS	17.10%	13.90%	8.30%	13.70%	8.00%
FRS	3.50%	5.50%	6.90%	8.40%	7.00%
MERSA	9.10%	11.00%	8.20%	12.10%	8.00%
MERSB	8.40%	10.80%	7.90%	11.70%	8.00%
MPERS	3.72%	7.35%	9.26%	12.66%	7.00%
PERSA	7.20%	8.50%	3.80%	11.60%	8.00%
PERSB	5.40%	8.20%	4.00%	11.90%	8.00%
RVRS	0.80%	6.00%	4.90%	10.00%	8.00%
SPRF	5.20%	7.30%	5.60%	9.70%	8.00%

Indices

Indices:	FY 2000 Annual Rate	FY 1999 Annual Rate
CPI (1)	3.7%	2.0%
Lehman Brothers (2)	4.6%	3.1%
S&P 500 (3)	7.3%	22.8%

Note: Indices are shown for the twelve-month period ending June 30. (1) CPI (All Items), (2) Lehman Brothers Aggregate Bond Index, (3) Standard & Poors' 500 Index

13. Participant Census as of June 30, 2000

Membership

Membership data is provided in the following table. Participants are categorized in one of three categories: active member, retired, or as a current member of the Deferred Retirement Option Plan (DROP).

Participant Census
(Payroll in $millions)

State Systems

System	Actives	Retirees	DROP (current)	Total	% of Total*	FY 2000 Payroll
LASERS	66,642	31,252	2,421	100,315	*30.5%*	$1,820.1
TRSL	87,361	46,184	3,845	137,390	*41.8%*	$2,563.6
STPOL	932	1,053	41	2,026	*0.6%*	$33.6
LSERS	14,849	9,030	792	24,671	*7.5%*	$241.1
Subtotal	**169,784**	**87,519**	**7,099**	**264,402**	***80.4%***	**$4,658.5**

Statewide Systems

System	Actives	Retirees	DROP (current)	Total	% of Total*	FY 2000 Payroll
ASSR (1)	659	406	46	1,111	*0.3%*	$25.7
CCRS	2,121	722	50	2,893	*0.9%*	$58.3
DARS	630	163	7	800	*0.2%*	$32.4
FRS	3,098	1,173	155	4,426	*1.3%*	$100.5
MERSA	5,365	2,400	193	7,958	*2.4%*	$124.7
MERSB	2,023	741	45	2,809	*0.9%*	$41.6
MPERS	5,856	3,164	228	9,248	*2.8%*	$163.8
PERSA (2)	13,354	4,588	216	18,158	*5.5%*	$337.1
PERSB (2)	1,912	437	10	2,359	*0.7%*	$43.1
RVRS	209	117	8	334	*0.1%*	$6.1
SPRF	12,125	2,159	206	14,490	*4.4%*	$311.6
Subtotal	**47,352**	**16,070**	**1,164**	**64,586**	***19.6%***	**$1,244.9**

(1) Assessors system based on September 30, 1999 valuation
(2) Parochial system based on December 31, 1998 valuation.

All Systems Combined

All System	Actives	Retirees	DROP (current)	Total	% of Total*	FY 2000 Payroll
Total	**217,136**	**103,589**	**8,263**	**328,988**	***100.00%***	**$5,903.4**

* Total for Combined Systems

BENEFIT FORMULAS AND EMPLOYEE CONTRIBUTIONS

1. Benefit Accrual Rates

Formula

The retirement benefit for all thirteen systems is generally based on the following formula:

Annual Benefit at Retirement	=	Years of Service at Retirement	x	Benefit Accrual Rate	x	Final Average Salary at Retirement

The benefit is limited to an amount not greater than final average compensation.

Benefits Accrual Rates & Retirement Eligibility

LASERS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
Regular	2.50%	10	60	7.50%
	2.50%	25	55	7.50%
	2.50%	30	any age	7.50%
Legislators	3.50%	12	55	11.50%
	3.50%	16	any age	11.50%
	3.50%	20	50	11.50%
Wildlife Agents	25.0% FAS	10	55	8.50%
Based on a percent of Final Average Salary (FAS)	37.5% FAS	15	55	8.50%
	55.0% FAS	20	any age	8.50%
	72.5% FAS	25	any age	8.50%
Corrections Officers & DPS				
Employed Prior to 8/15/1986	2.50%	20	any age	9.00%
Employed between 8/15/1986 - 6/30/99	2.50%	20	50	9.00%
Employed on/after 7/01/1999	2.50%	25	any age	9.00%
Judges & Court Officers	3.50%	18	any age	11.50%
	3.50%	20*	50	11.50%
	3.50%	12	55	11.50%
	3.50%	any	70	11.50%

Early retirement – 20 years of service with actuarially reduced benefits.
* At least 12 years as a Judge

Benefits Accrual Rates & Retirement Eligibility

TRSL

Regular Teachers	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
Employed Prior to 1/1/1999	2.00%	10	60	8.00%
Employed on/after 1/1/1999	2.50%	10	60	8.00%
Employed Prior to 1/1/1999	2.00%	20	any age	8.00%
Employed on/after 1/1/1999	2.50%*	20	any age	8.00%
All Teachers	2.50%	20	65	8.00%
All Teachers	2.50%	25	55	8.00%
All Teachers	2.50%	30	any age	8.00%
Lunch Plan A	3.00%	10	60	9.10%
	3.00%	25	55	9.10%
	3.00%	30	any age	9.10%
Lunch Plan B	2.00%	10	60	5.00%
	2.00%	30	55	5.00%
* Teacher's early retirement - actuarially reduced.				

STPOL

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
All Employees	2.50%	10	50	8.00%
Employed on or after July 1, 1999	3.33%	10	50	8.00%
All Employees*	3.00%	15	50	8.00%
Employed Prior to September 8, 1978	3.00%	20	any age	8.00%
Employed on or after September 8, 1978	3.00%	20	50	8.00%
* Accrued benefit is increased by using a graded rate for accruals earned between 10 and 15 years of service.				

LSERS

All Employees	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
For Service Earned Prior to July 1, 1999	2.50%	10	60	6.35%
	2.50% *	25	55	6.35%
	2.50% *	30	any age	6.35%
	*PLUS 0.5% per year for service over 20 years			
For Service Earned On or After July 1, 1999	3.00%	For the Above Retirement Ages		6.35%*
Early retirement – 20 years of service with actuarially reduced benefits * Increased if system loses full funding status under Act 278 of RS1999				

Benefits Accrual Rates & Retirement Eligibility

ASSRS

All Employees	Benefit Accrual Rate	Years of Service	Age	Member Contribution
Service Prior to 7/1/1999	3.00%	12	55	7.00%
Service Prior to 7/1/1999	3.00%	30	50	7.00%
Service on/after 7/1/1999	3.33%	12	55	7.00%
Service on/after 7/1/1999	3.33%	30	50	7.00%

CCRS

All Employees	Benefit Accrual Rate	Years of Service	Age	Member Contribution
Service Prior to 7/1/1999	3.00%	12	55	8.25%
Service on/after 7/1/1999	3.33%	12	55	8.25%

DARS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution
Employed Prior to 7/1/1990	3.00%	10	62	7.00%
	3.00%	18	60	7.00%
	3.00%	23	55	7.00%
	3.00%	30	any age	7.00%
Employed on/after 7/1/1990	3.50%	10	60	7.00%
	3.50%	24	55	7.00%
	3.50%	30	any age	7.00%
Early retirement – eligibility based on years of service and attained age; benefit reduced by 3% for each year prior to normal retirement.				

FRS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution
All Employees	3.33%	12	55	8.00%
	3.33%	20	50	8.00%
	3.33%	25	any age	8.00%

MERS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution
Plan A (1)	3.00%	10	60	9.25%
	3.00%	25	any age	9.25%
Plan B (2)	2.00%	10	60	5.00%
	2.00%	30	55	5.00%
Elected officials receive additional 0.5% accrual for each year elected service				

(MERS continued)

1) Plan A members: (a) Pre 10/1978 supplemented plan member only = 1% plus $2 for each month of service prior to 10/1978. (b) Actuarially reduced early retirement with 20 years of service.
2) Plan B members are also covered by Social Security; 3% Reduction for each year below age 62 unless 30 years of service or an elected official with 15 YOS as an elected official.

Benefits Accrual Rates & Retirement Eligibility

MPERS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
All Employees	3.33%	12	55	7.50%
	3.33%	20	50	7.50%
	3.33%	25	any age	7.50%

PERS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
Plan A [(1)]	3.00%	10	60	9.50%
	3.00%	25	55	9.50%
	3.00%	30	any age	9.50%
Plan B [(2)]	2.00%	10	60	2.00%
	2.00%	30	55	2.00%

1) For members of the supplemental plan only the accrual rate is 1% plus $2 for each month of service prior to the revision date.

2) Plan B members are also covered by Social Security; 3% Reduction for each year below age 62. Benefit applied to monthly final compensation over $100

RVRS

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
All Employees	3.33%	10	60	7.00%
	3.33%	20	55	7.00%
	3.33%	30	any age	7.00%

SPRF

	Benefit Accrual Rate	Years of Service	Age	Member Contribution Rate
All Employees	3.33%	12	55	9.70%

* Actuarially reduced early retirement with 20 years of service at age 50.

2. Benefits

Standard of Living

The following table provides data on two aspects of the retirement benefit. The first portion of the table shows the member's retirement benefit as a percentage of final pre-retirement compensation. The retirement benefit is calculated using the three highest consecutive earning years that the member has over his entire salary history. Showing the benefit as a percentage of salary gives some indication of what the member can expect in the way of cash flow as the retirement benefit replaces the earned salary.

Employee Funding

The second part shows what portion of the retirement benefit is funded by employee contributions. The member's contributions are accumulated with interest at the valuation interest rate over the designated time period. The accumulated value is then divided by the actuarial present value of the retirement benefit. This is the percent of the benefit that is funded by the member's own statutorily required contributions.

Hazardous Duty

The membership was divided into two distinctive groups based on the nature of work performed. Benefit plans for employees engaged in hazardous duty have traditionally provided benefits at higher levels than those plans for employees engaged in more normal types of employment.

Hazardous duty personnel are typically members employed in law enforcement and public safety. The group shown on the following page is composed of state police, municipal police, sheriffs and deputies, wildlife enforcement agents, prison guards, and firefighters.

Non-Hazardous Group

	Division	Age	Replacement Ratio			Percent Self-Funded		
			Years of Service at Retirement					
			20	30	40	20	30	40
LASERS	Regular	65	48%	72%	96%	47%	60%	76%
	Legislators	65	67%	96%	96%	59%	71%	99%
	Judges	65	67%	96%	96%	59%	71%	99%
TRSL	Teachers	65	47%	71%	94%	46%	53%	60%
	Lunch A	65	56%	84%	96%	43%	44%	55%
	Lunch B	65	38%	57%	76%	36%	41%	45%
LSERS	Regular	65	48%	87%	97%	42%	43%	60%
ASSR	Regular	65	63%	94%	94%	30%	33%	40%
CCRS	Regular	65	63%	94%	94%	35%	38%	46%
DARS	Regular	65	66%	94%	94%	28%	29%	33%
MERS	Plan A	65	57%	85%	95%	51%	58%	70%
	Plan B	65	38%	57%	76%	42%	47%	54%
PERS	Plan A	65	57%	85%	95%	50%	57%	69%
	Plan B	65	38%	57%	76%	16%	18%	21%
RVRS	Regular	65	62%	94%	94%	27%	28%	31%

Hazardous Group

	Division	Age	Replacement Ratio		Percent Self-Funded	
			Years of Service at Retirement			
			20	25	20	25
LASERS	Wildlife	55	53%	70%	40%	44%
	Corrections	55	48%	60%	49%	55%
STPOL	Regular	55	58%	72%	36%	40%
FRS	Regular	55	64%	80%	29%	32%
MPERS	Regular	55	65%	81%	31%	34%
SPRF	Regular	55	63%	78%	38%	40%

ACTUARIAL CONCERNS

FUNDING ISSUES

1. Funding of UAL for State Systems

Concern

Paying off the current $5.859 billion retirement debt (UAL) for LASERS, TRSL, and STPOL may require increasing employer contributions in the upcoming years.

Amortization Payments

The amortization schedules, adopted in 1992, provide lower payments in the earlier years with higher payments to be made in later years. Under these schedules, the payments increase at 4.5% per year. **For the next several years, payments are not sufficient to cover the interest charge on the UAL for either system.** As the required payments increase they eventually become large enough to cover both the interest charge and principal portion on the UAL. The law requires full amortization of the initial unfunded accrued liability balance by the year 2029.

FUTURE AMORTIZATION
MID-YEAR PAYMENT RUNOUT
of June 30, 2000 UAL BALANCES

(At 4.5% Increase Factor)

State Employees

Fiscal Year	Years Out	Future Amortization Payment
2001	1	$129,351,401
2008	8	$167,653,275
2015	15	$228,152,943
2022	22	$310,484,632
2029	29	$422,526,684

Teachers

Fiscal Year	Years Out	Future Amortization Payment
2001	1	$195,834,951
2008	8	$271,994,745
2015	15	$370,147,267
2022	22	$503,719,287
2029	29	$685,492,351

FUTURE AMORTIZATION
MID-YEAR PAYMENT RUNOUT
of June 30, 2000 UAL BALANCES

(At 4.5% Increase Factor)

State Police

Fiscal Year	Years Out	Future Amortization Payment
2001	1	$15,692,692
2008	8	$19,515,318
2015	15	$1,966,209
2022	22	$2,675,739
2029	29	$3,641,311

Combined

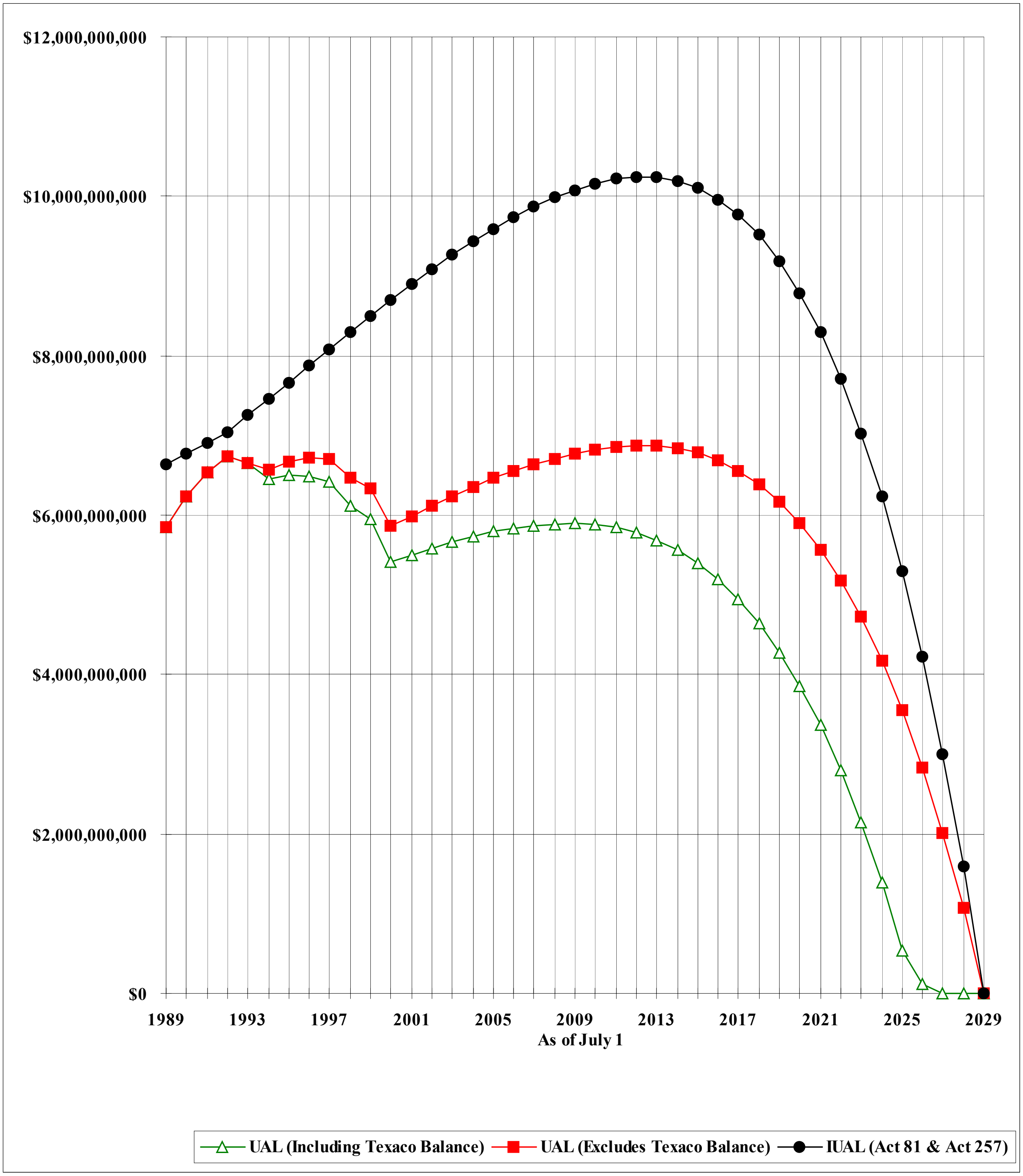
Fiscal Year	Years Out	Future Amortization Payment
2001	1	$340,879,044
2008	8	$459,163,338
2015	15	$600,266,419
2022	22	$816,879,657
2029	29	$1,111,660,346

UAL Run-out

The following graph demonstrates the combined funding progress of our unfunded state retirement systems as of June 30, 2000 balances. The top *dotted* curve illustrates the amortization of the Initial Unfunded Accrued Liability (IUAL) established by statute in 1988. The middle *boxed* curve is the Valuation UAL, which nets all other amortization bases since 1988, including actuarial gain and losses, against the IUAL balance. The bottom *triangled* curve is the Net UAL, which reduces the middle UAL balances by the value of Texaco Funds. The UAL run-out values after 2000 are based on current amortization schedules.

Note: prior to FY 1993 amortization payments are based on Act 81 schedule; subsequent payments are based on Act 257 schedule.

COMBINED UAL BALANCE
Louisiana State Retirement Systems
State Employees - Teachers - State Police
Values as of June 30, 2000



2. Operation of Experience Account

Concern

Although the Experience Account (EA) balance may represent an amount of funds sufficient to cover the expected value of COLA benefits, it does not in itself provide the actual funding necessary to ultimately pay for COLA liabilities.

COLA Funding

The Experience Account is merely a temporary holding account. It does not fund COLA benefits. It only withholds and then releases portions of the investment experience derived from the plan's contributions (and earnings thereon). Those earnings are necessary to meet the actuarial assumed long-term average return of 8.25%. COLA's create additional benefit liability that increases the UAL. It is amortized to the year 2029 and paid with additional employer contributions.

Expected Return

Key to ultimately achieving the expected return is that all investment income is credited to the asset base (contributions and earnings) from which it is derived. If income is diverted for other purposes the assumed rate will not be achieved. This in turn destroys the required match between future benefit payments and assets available to pay for them. Additional contributions will be required from the employer to restore the funding balance between future assets and liabilities.

Impact on UAL

The legislative actuary recommends contribution rates independent of Experience Account interference. He asserts that the Experience Account is just a measuring device that the State can use to grant COLA's. The employer has total responsibility for funding liabilities. The participant's contributions are essentially fixed. ***The only means to avoid an increase in the $5.7 billion UAL (Unfunded Liability of Teachers and LASERS combined) is to fund for COLA's in advance, with additional appropriations, not from the plan's earnings.***

Impact of Experience Account COLA Benefits on UAL

Experience Account Accumulations as of June 30, 2000

($millions)

System	LASERS	TRSL	Combined
Allocation	$617.9	$1,695.4	$2,313.2
Interest	$139.0	$440.9	$579.9
Disbursement	$249.3	$544.9	$794.2
Balance	$507.5	$1,591.4	$2,098.9
Expected COLA Impact on UAL	$756.9	$2,136.3	$2,893.1

3. Expansion of Military Service Credits

Concern

Emerging experience under recent legislation allowing subsidized military service credits indicates substantial potential usage and costs to the employer.

Act 1370 Experience

Act 1370 of the 1999 Regular Session allows members of the Firefighters' Retirement System to receive subsidized service credits for active military duty between 1/1/1960 and 12/21/1975. To purchase the credits a member need only pay an amount equivalent to the contributions that would have been paid at the time of duty. Previously, these members were required to meet certain military criteria to be eligible to purchase the credit and paid the actuarial cost of the additional benefits. The Municipal Police Employees' Retirement System has similar provisions.

Actuarial Impact

Within the year following enactment of Act 1370 over 25% of the eligible universe at firefighters purchased an average of 2.5 years of service credit. We estimate that the actuarial liability equates to \$38,600 per member purchase. The member was charged an average of \$1,500 as their share of the purchase, so the net remaining cost to the employer is estimated to be \$37,100 per member purchase. The military service subsidy has carried substantial costs to this system. Expanding similar military benefit subsidies to other wartime periods and to other systems could result in significant increases to their unfunded liabilities and contribution requirements.

4. Cash Flow Concerns in a Bearish Market

Concern

Excluding investment income, the annual additions of the state systems do not meet their annual deductions. If the investment return is net negative this could force the sale of investments into an unfavorable market.

The larger state systems have committed significant allocations into equities (including alternative investments, private placements, REITS, and venture capital) and away from fixed income investments. These investments tend to be less liquid in bear markets, require additional cash commitments, and may pay minimal interest and dividend income.

Should the systems experience net investment losses for a sustained period it is probable they will be forced to liquidate certain investments at a loss to cover the plan benefit payments and expenses.

The following exhibit shows the additions (contributions) and deductions (benefits/expenses) for each state system as of June 30, 2000. In recent years positive investment income has been adequate to cover the net negative cash flow.

NET EXTERNAL CASH FLOW

Excluding Net Investment Income & Expense

STATE SYSTEMS

As of June 30, 2000

($ Millions)

System	Amounts Added	Amounts Deducted	Net External Cash Flow
	(a)	(b)	(a) - (b)
LASERS	$391.9	$466.7	($74.8)
TRSL	$679.0	$821.4	($142.4)
STPOL	$25.8	$19.7	$6.1
LSERS	$29.5	$94.6	($65.1)
Combined	$1,126.2	$1,402.4	($276.2)

5. Funding of Optional Retirement Plan

Concern

ORP members are receiving a much higher contribution level than would be warranted if they were participating under the defined benefit plan during their working lifetime.

Based on experience studies, younger eligible employees are joining ORP instead of TRSL. This leaves a higher average age group represented by the remaining TRSL membership of LSU and other university employees. The employer normal cost as percent of payroll is the annual account allocation for the ORP members. It is based on TRSL defined benefit plan valuation results that excludes ORP members. The employer normal cost for the defined benefit plan is increasing as the TRSL group is aging, which directly benefits the younger ORP members at the expense of the employer.

As of December 31, 2000, there were 7,581 participants in ORP.

GROWTH OF ORP MEMBERSHIP
(As Compared to TRSL)

Year	ORP	TRSL	Ratio (ORP to TRSL)
1992	3,775	86,244	4.4%
1993	4,196	85,143	4.9%
1994	4,780	86,079	5.6%
1995	5,290	84,671	6.2%
1996	5,712	84,849	6.7%
1997	6,195	85,169	7.3%
1998	6,690	85,772	7.8%
1999	7,181	85,419	8.4%
2000	**7,581**	**85,462**	**8.9%**

Note TRSL DROP actives excluded

6. Demographic Experience - TRSL

Concern

For TRSL the ratio of male to female members has steadily declined since 1979. As females become a greater portion of total membership, the cost implications to TRSL can be substantial because of the mortality differential.

In 1979, males represented about 28.9% of the total active group. In 2000, that ratio has decreased to 17.6%. Based on current actuarial assumptions for funding, female annuity purchase rates are 3% higher than male rates at age 40, and 12.3% higher at age 65. Since a greater proportion of females will also enter their retirement years, the cost impact continues and is even greater, for example, at age 80 where the annuity purchase rate is 19.5% higher for females.

Use of sex distinct mortality rates assist in the actuarial funding of an emerging female liability trend. We may expect future increases in TRSL's annual cost because of this trend.

7. Plan Demographics

Concern

There is a decreasing trend in the number of active to inactive members for state and statewide retirement systems. Trend-line projections indicate that the ratios could be approaching 1.0 for some systems by the end of the decade. This trend has a direct impact on cash flow and employer funding requirements as benefit payouts accelerate.

Teachers

In 1991 the ratio of active to inactive members for TRSL stood at 2.63. In 2000 the ratio has dropped to 1.75. Monitoring of actuarial assumptions is required to assure that adequate funding is achieved to pay for the accelerated benefit payouts.

State Employees

The ratio of active to inactive membership has also decreased for LASERS, 2.78 in 1991 to 1.98 in 2000. Inactive membership in LASERS has consistently increased while active membership has decreased over the last 10-year period.

School Employees

LSERS pattern is more striking, 2.90 in 1991 to 1.51 in 2000. The number of active members appears to have leveled in recent years, with the number of inactives increasing.

State Police

The ratio for State Police has been below 1.0 since 1989. As of 2000, there are 932 active members in STPOL compared to 1,094 inactive members, a ratio of 0.85. This system also has the highest employer contribution rate of the thirteen retirement systems, 56.4% of payroll for fiscal year 2002.

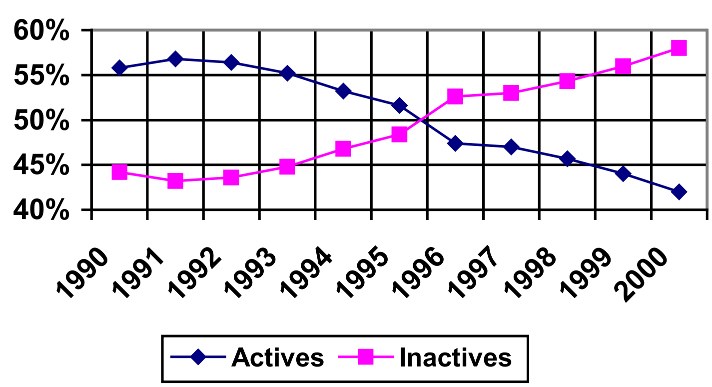
Accrued Liability Trends

As expected the increasing trend in the number of inactives relative to actives causes a similar pattern with accrued liability. The following table illustrates the impact on emerging liabilities for state plans. Since 1991, the inactive liability has increased from 43.2% to 58.0% of the total accrued liability.

Combined State System Liability Funding Trends

Percent of Total Accrued Liability		
Fiscal Year:	**Actives**	**Inactives**
1991	56.8%	43.2%
1992	56.4%	43.6%
1993	55.2%	44.8%
1994	53.2%	46.8%
1995	51.6%	48.4%
1996	47.4%	52.6%
1997	47.0%	53.0%
1998	45.7%	54.3%
1999	44.3%	55.7%
2000	**42.0%**	**58.0%**

Percent of Total Accrued Liability



The set of columns on page 54 demonstrates the development of funding for active and inactive liabilities. Assets are first allocated to cover 100% of the inactive liabilities. The remainder is then compared to active liabilities. Since 1991, the active funded ratio has increased from 17.1% to 71.0%.

Percent Funded			
Fiscal Year:	**Actives**	**Inactives**	**Combined**
1991	17.1%	100.0%	52.9%
1992	21.2%	100.0%	55.6%
1993	25.7%	100.0%	59.0%
1994	29.5%	100.0%	62.5%
1995	29.1%	100.0%	63.4%
1996	31.8%	100.0%	67.7%
1997	39.6%	100.0%	71.6%
1998	50.5%	100.0%	77.4%
1999	58.7%	100.0%	81.7%
2000	71.0%	100.0%	87.8%

Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive members over the 10-year period 1991 to 2000.

Ratio of Active To Retired Population			
Fiscal Year:	**1991**	**2000**	**Trend**
ASSR	1.81	1.46	↙
CCRS	3.39	2.75	↙
DARS	4.28	3.71	↙
FRS	2.87	2.33	↙
MERSA	2.82	2.07	↙
MERSB	2.85	2.57	↙
MPERS	1.58	1.73	↗
PERSA	3.31	2.78	↙
PERSB	3.99	4.28	↗
RVRS	2.07	1.67	↙
SPRF	4.66	5.13	↗
Total Statewide	**2.97**	**2.75**	↙

8. Impact of COLA Increases on Retiree Benefits

Concern

The average benefit since retirement of a retiree from the four state retirement systems has increased 1.5% per year. Comparable to this period, the CPI (Consumer Price Index) has increased an average of 3.2% per year. The 1.7% difference has narrowed sharply compared to the 2.6% spread in our 6/30/96 study with values of 1.1% and 3.7%, respectively.

COLA Policy

At the request of the legislature, the legislative actuary in the Legislative Auditor's Office has studied the impact of inflation on retiree benefit levels. Unfortunately, the state has had to focus on improving the funding position for future benefits that are promised by law. This has left any provisions for retiree COLA increases to erratic solutions and special interest legislation. Existing methods have not given desired results and leave retirees unsure of the state's policy toward COLAs. Also of concern is the impact that these ad hoc methods will ultimately have on overall funding. Since providing our Experience Account analysis to the Legislature, we have continued to focus on two issues:

1. The current method of detouring fund assets to measure COLA benefit increases, through the Experience Account, impacts the actuarial soundness of the funding methods and interest assumptions.

2. The study of retiree benefits and COLAs relate to employer/state benefit objectives and budgeting concerns. The adequacy and level of our retirees' benefits should be determined by the state, since the state, and related employers, are ultimately responsible for payment of all promised benefits.

Act 402 of the 1999 Regular Session establishes a COLA formula for TRSL and LASERS. The COLA provides an annual CPI increase up to 2%.

For comparison, the following exhibit displays the average annual rates for actual benefit (COLA) increases and CPI inflation increases, for those who retired 5, 10,15, 20, 25, 30 and 35 years ago.

AVERAGE ANNUAL BENEFIT INCREASE FOR RETIREES SINCE RETIREMENT
Average Annual Rate of Increase
From Retirement Date to 6/30/2000

State Employees

Years Retired	Average Annual Rate of Increase
0	0.0%
5	1.2%
10	1.1%
15	1.2%
20	2.0%
25	2.4%
30	2.5%
35	2.0%
GROUP WTD. AVG.	1.4%

Teachers

Years Retired	Average Annual Rate of Increase
0	0.0%
5	1.2%
10	1.1%
15	1.1%
20	1.5%
25	2.1%
30	2.1%
35	1.9%
GROUP WTD. AVG.	1.4%

AVERAGE ANNUAL BENEFIT INCREASE FOR RETIREES SINCE RETIREMENT

Average Annual Rate of Increase From Retirement Date to 6/30/2000

School Employees

Years Retired	Average Annual Rate of Increase
0	0.0%
5	3.6%
10	3.4%
15	3.4%
20	3.8%
25	3.7%
30	3.7%
35	3.6%
GROUP WTD. AVG.	3.4%

State Police

Years Retired	Avg. Annual Rate of Increase
0	0.0%
5	1.3%
10	0.9%
15	0.8%
20	0.9%
25	1.9%
30	2.3%
35	2.6%
GROUP WTD. AVG.	1.1%

Consumer Price Index

Years Retired	Avg. Annual Rate of Increase
0	0.0%
5	2.5%
10	2.9%
15	3.2%
20	3.7%
25	4.8%
30	5.1%
35	5.0%
GROUP WTD. AVG.	3.2%
Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average	

9. Minimum Employer Contribution Limits Under State Constitution

Concern

We are concerned of ramifications to the state if the Employer Credit Account is subsequently determined to be contrary to the constitutional minimum contribution requirements. Additionally, withdrawing assets from funding to establish a prior balance upsets the actuarial soundness of the funding method.

Constitutional Minimum

Louisiana's Constitution requires the legislature to set the member's contribution such that it will not exceed a fixed portion of the total contribution to the retirement system until the original UAL established in 1988 is fully funded. For example, to comply with the requirements, the employer must contribute at least 12 percent for LASERS and 11.8 percent for TRSL based on the employee contribution rates. Upon elimination of the original unfunded liability, the IUAL, the member's contribution cannot exceed the amount contributed on his behalf by the employer.

LSERS (School Employees') is the only state system that has eliminated the original unfunded liability. For this system, the constitutional minimum employer contribution of 6.0% of payroll will exceed the actuarially required contribution of 1.6% for FY 2001. This will require an excess payment by the employer of $10.7 million (page 6 of report).

Employer Credit Account

Act 1331 of the 1999 Regular Session allows state plans to reduce the annual employer contribution against balances in the Employer Credit Account (ECA). As of the June 30, 2000 valuation date, LSERS is the only state plan which has an ECA. Act 14 of the 2000 First Extraordinary Session sets the beginning balance for this system at $56,754,405. It is our understanding that LSERS employers intend to omit their entire 6% of pay contribution for the plan year ending June 30, 2001 ($14.6 million) and offset it against the ECA.

Concern regarding interpretation and funding of the ECA statute:

- If ECA was intended to apply only to full funded plans, the statute is unclear in stating that intention. LSERS is currently the only full funded state plan.
- Establishing a prior ECA balance from assets previously allocated to funding disrupts the funding method and is potentially contrary to actuarial soundness

Constitutionality concern:

- The ECA appears to bypass the constitutional requirement for a minimum employer/employee contribution relationship. An alternative to reducing the employer's contribution with the ECA is to reduce employee contributions.

10. LEGISLATIVE CONCERN: Past Investment Experience is Not Necessarily Indicative of Future Expected Returns

Concern

Double-digit investment growth cannot be expected to continue. Irrational exuberance regarding the trusts ability to provide for benefit increases with earnings could jeopardize our funded status in the future.

Funded Ratios

The economy has been strong and we have been fortunate that our investments are providing favorable returns as is expected in a bull market phase of a market cycle. Hopefully, we will be able to retain a portion of this actuarial investment gain because of the technological revolution.

Unfortunately, we cannot expect to avoid actuarial investment losses if our funding return rate is appropriate (8.25% for LASERS and TRSL). Since most of the improvement in funded ratios, assets to liabilities, results from actuarial investment gains it is reasonable to expect a retraction with future actuarial losses.

If the actuarial assumptions are realized, as should be expected, investment actuarial gains and losses (returns under or over the assumed 8.25% rate) should zero out leaving outstanding balances of the original IUAL plus any additional liability charges. This includes charges for benefit enhancements including COLAs, early retirement allowances, death benefits, DROP Account benefits, and so forth. Unfunded liabilities are amortized under an increasing payment schedule. Current payments under these schedules are not yet high enough to cover even the required interest charges, so the initial balances of each schedule have not been reduced. Therefore, as future actuarial investment losses offset the past gains, the funded ratios will shrink to the original values at each establishment date. It is actuarially unsound to assume otherwise.

Texaco Funds

A strength to our funded status are the Texaco Funds, established and protected by the constitution to be held in the trust for ultimate elimination of the IUAL balance. If these funds are diverted for other funding purposes it would further damage our future funded status.

11. LEGISLATIVE CONCERN: Enhancements to Public Plans are Actual or Potential Liabilities to the State.

Concern

Various bills have been passed with proponents implying that the benefit enhancements do not create a potential liability to the state. In most cases these are misleading or unfounded assertions encouraging the bills to pass.

CCRS

Proponents urged and were granted an increase of 11% in the future pension benefit accrual rate, from 3% to 3.33%, for Clerks of Court. They argued that the contribution is fully paid from fees charged to the public by their office.

This is not a for profit private business, it's a public entity. In reality, almost half of the required contribution comes from the state allocated ad valorem taxes and revenue sharing.

Resulting from this benefit increase, the portion of the total retirement benefit that will be funded by employee contributions is reduced by 7% to 10% for new employees.

ASSR

Proponents urged and were granted an increase of 11% in the future pension benefit accrual rate, from 3% to 3.33%, for Assessors.

This is not a for profit private business, it's a public entity. In reality, almost 79% of the required contribution comes from the state allocated ad valorem taxes and revenue sharing.

SPRF

Proponents urged and were granted an increase in the pension benefit accrual rate, to a uniform rate of 3.33%, for all years of service under Act 496 of 1999 Regular Session. The prior accrual rates varied from 2.5% to 3.25% depending upon years of credited service. To help pay for this the member's future contribution rate was increased by 11.5%, from 8.7% to 9.7%. In addition, the state ends up paying for a significant portion of the increase, which included a substantial past service cost. The public funds expense increased by 32.8%, from $21.4 to $28.4

million for FY 2000. The portion required from state provided ad valorem taxes, revenue sharing and insurance premium tax fund (IPTF) increased by 28.5%, from $7.5 to $9.6 million.

In FY 99, prior to this benefit increase the plan did not require any IPTF money. FY 2000 required $2.0 million from IPTF and the FY 2001 requirement will be $3.3 million. Remaining IPTF amounts would have been deposited into the state's general funds had they not been required for funding the benefit increases.

TRSL - Rehired Professors

Proponents urged and were granted immediate unreduced retirement benefits plus full salary for university professors who were DROP retirees and return to work. The provisions of the proposed bill were enacted under Act 18 of the Second Extraordinary 2000 Special Session. It was argued that the cost of this expensive benefit would be paid by the hiring public institutions. Once again, this is not a for profit private business, it's a public entity receiving state funds.

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